

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 CAB-05 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
NSC-05 XMB-04 AID-05 FRB-01 ICA-20 TRSE-00
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 /117 W
-----094072 112317Z /23

R 111736Z JUL 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8000
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
USMISSION GENEVA
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY MADRID
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
USMISSION USNATO

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DEPART PASS FAA
BRUSSELS ALSO FOR USEEC AND FAA
PARIS ALSO FOR USOECD

E. O. 11652: N/A
TAGS: EAIR, ETRD, UK, XT, US
SUBJECT: CIVAIR: UK GOVERNMENT APPROVES PURCHASE OF
737'S AND PRODUCTION OF NEW FEEDER LINER
(THE HS-146)

REF: A) LONDON 10036; B) LONDON 7810; C) LONDON 4469
(PARA 9C)
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1. SECRETARY OF STATE FOR TRADE EDMUND DELL ANNOUNCED
JULY 10, THROUGH THE MEDIUM OF A WRITTEN ANSWER TO A
PARLIAMENTARY QUESTION, THAT HE HAS APPROVED BRITISH
AIRWAYS' REQUEST FOR PERMISSION TO BUY NINETEEN
BOEING 737'S AT A COST OF 120 MILLION POUNDS (ABOUT
225 MILLION DOLLARS). ALTHOUGH BA'S RESERVATIONS FOR

PLACES ON THE PRODUCTION LINE WERE TO EXPIRE JUNE 30, THE FINANCIAL TIMES REPORTS THAT THE BRITISH ARE CONFIDENT THEY CAN STILL ARRANGE DELIVERY BY 1980.

2. SAYING THAT "BA HAVE ALSO CARRIED OUT A FURTHER EVALUATION OF THEIR NEEDS", DELL ADDED THAT HE HAS ALSO GIVEN APPROVAL FOR THE AIRLINE TO ENTER INTO NEGOTIATIONS WITH BRITISH AEROSPACE (BAE) FOR THE ACQUISITION OF BETWEEN THREE AND SIX BAC-111'S, AT FIVE MILLION POUNDS EACH. THOUGH THERE IS NO INDICATION SO FAR HOW SOON SUCH NEGOTIATIONS MIGHT BE COMPLETED, OR EVEN BEGUN, THE UKG PRESUMABLY HOPES THAT THEY WILL MOLLIFY THOSE CRITICS WHO CHARGED THAT PURCHASE OF BOEINGS ALONE WOULD INDICATE A LACK OF CONFIDENCE IN BAE'S BAC-111.

3. A FURTHER MEASURE TO DISARM CRITICS WAS THE ANNOUNCEMENT DURING COMMONS DEBATE THE SAME SAY THAT THE UKG HAD ALSO DECIDED TO APPROVE A 240 MILLION POUND (475 MILLION DOLLAR) DEVELOPMENT PROGRAM FOR BAE'S PROPOSED FEEDER AIRLINER, THE HS-146. ACCORDING TO GERALD KAUFMAN, MINISTER OF STATE FOR INDUSTRY, THE PLANE IS TO COME IN TWO CIVILIAN VERSIONS, OF 70 PLUS AND 109 SEATS RESPECTIVELY, PLUS A MILITARY ONE. ITS FOUR ENGINES WILL BE PROVIDED BY AVCO LYCOMING OF THE U.S., WHICH HAS ALSO OFFERED TO PROVIDE

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THE WINGS IF BAE WANTS SOME HELP WITH THE FINANCIAL BURDEN. MANY PEOPLE HAVE DOUBTS, VOICED DURING THE DEBATE, THAT THERE IS A SUFFICIENT MARKET FOR SUCH AN AIRCRAFT, PARTICULARLY IN LIGHT OF THE FATE OF THE VFW-614, BUT ACCORDING TO THE LONDON TIMES BAE IS COUNTING ON LOW COSTS PER SEAT-MILE AND THE ABILITY

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TO OPERATE IN DIFFICULT RUNWAY AND CLIMATIC CONDITIONS
TO MAKE THE HS-146 A WINNER. ANOTHER FACTOR IN THE
DECISION TO GO AHEAD WAS UNDOUBTEDLY THE FACT THAT
BAE'S HATFIELD PLANT HAS COMPLETED ITS LAST TRIDENT
AND WOULD OTHERWISE HAVE BEEN SERIOUSLY UNDER-
UTILIZED. THE HS-146 IS EXPECTED TO PROVIDE 7,000
JOBS WITHIN BAE AND ANOTHER 4-5,000 ELSEWHERE
IN THE U.K.

4. THE DEBATE AT WHICH MR. KAUFMAN SPOKE ADDED NOTHING
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OF SUBSTANCE TO THE QUESTION OF WHOM BAE IS GOING
TO COOPERATE WITH IN BUILDING AIRLINERS IN THE 160-220
SEAT CATEGORY. COMMENT: THE IMPLICATION OF SEPARATING
THE BA PURCHASE AND HS-146 QUESTIONS FROM THAT LARGER
ISSUE IS THAT THE GOVERNMENT FEELS THAT SIGNIFICANTLY
MORE TIME IS NEEDED, AND THAT IT WILL NOT BE RUSHED,
NOT EVEN BY THE AIRBUS CONSORTIUM'S ANNOUNCEMENT THAT,
SUBJECT TO GOVERNMENT APPROVAL, IT WILL GO FORWARD
WITH THE LD-10 VERSION OF THE AIRBUS. OF COURSE, THAT
MAY SIMPLY BE AN IMPRESSION THE BRITISH WISH TO CREATE
TO IMPROVE THEIR BARGAINING POSITION, AT THE BONN
SUMMIT OR ELSEWHERE.

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